

**TOWN OF HAMILTON
BOARD OF SELECTMEN
FINANCE and ADVISORY COMMITTEE
APRIL 11, 2016**

The Board of Selectmen met at Hamilton Town Hall at 7:00 p.m. on Monday, April 11, 2016 with Scott Maddern, Shawn Farrell, Jeff Hubbard, Bill Wilson, Allison Jenkins present. Finance and Advisory Committee members Rick Sprenkle, David Wanger, Nick Tensen and John Kain, Town Manager Michael Lombardo, and Finance Director Brian Connolly also present.

Call to order

Scott Maddern called the meeting to order at 7:00 p.m.

Public Comment

None.

Chairman/Selectmen reports

The Board congratulated Allison Jenkins and Scott Maddern for their recent election to the BOS. Jeff Hubbard noted fundraiser for Sagamore Hill property and \$300,000 is yet to be raised. Shawn Farrell described Planning Board's review of zoning by-law revisions and Phase I completion deadline is May 17, site plan review of 248 Bay Road that was approved with recommendations for ZBA, progress is occurring for Patton Park pool, rain barrel program is ongoing, Town wide survey open until May 17 with 250 people have taken it so far. Bill Wilson spoke to attending the Chapter 40B forum, acknowledged success of the student theatre group, and noted academy at Penguin Hall, as well as that FinCom meets on April 13 and discussion will include FinCom liaisons. Maddern mentioned warrant article votes passing for Patton Homestead, and Chapter 40B forum about Longmeadow Way potential project and how law works.

Town Manager's Report

Town Manager Michael Lombardo reported on upcoming hydrant flushing by DPW, concrete will be sprayed for the Patton Park pool next week, and Groton FinCom has asked Town for information. He is seeking a vendor to overhaul the Town's website, and this update would allow debate on an issue to be posted.

Consent Agenda

Maddern read the following items:

- Approve minutes March 7, 2016 – BOS Regular Session. Hubbard put a hold on these minutes to resolve an issue.
- One Day Liquor License requested by **Fresh Food Catering LLC** for an event at the Hamilton-Wenham Community House on Friday, April 29, 2016.

Hubbard voted to approve the liquor license on the Consent Agenda. Farrell seconded the motion. VOTE: Unanimous.

Agenda

- Election of Officers – Board Reorganization

Maddern described process including details of the Board's roles (i.e., Chair, Clerk) and nominations for election of officers and Board reorganization. Wilson suggested the role of vice chair be reconsidered for the Board to share chair's responsibility. Jenkins, Hubbard, and Farrell concurred with the recommendation. Maddern noted that the Town by-laws outline a chair and clerk for the BOS but he was in favor of Wilson's suggestion for vice chair. Lombardo explained that there is a process for amending the by-law so if a vice chair position was created it would not have formal duties and responsibilities but the role would be to facilitate and assist.

Wilson moved to create a vice chairman role for the upcoming Board of Selectmen. Farrell seconded the motion. VOTE: Unanimous.

Nominations

Jenkins nominated Hubbard as chair noting that chair role used to rotate more previously and Hubbard has a lot of tenure on the Board, and Wilson as vice chair. Farrell nominated Maddern as chair and Wilson as vice chair.

Hubbard said he was honored to be considered as chair, he has tenure on the Board, had the privilege and opportunity to witness how four other leaders have conducted business. He said when the Board makes policy decisions he could make sure it would be based on the collective knowledge of the community from ground up rather than top

down. Also, that the Board is following the laws and telling the truth. In addition, to be transparent when describing the pros and cons with an open environment hearing a lot more from the community.

Maddern stated that he had concerns about ideas getting branded with an individual when they are from committees and boards that the Selectmen interact with. He is involved with boards and committees and has been a liaison to most of them over a period of time (i.e., capital plans with FinCom, and goals for Town manager). Maddern thought the BOS meetings had been run even handedly.

Wilson noted that he has had frustrations in the last year but thought Maddern was organized and he respected how Maddern runs the BOS meetings. He acknowledged that the other members would bring thoughtful discussion to the Board. Wilson stated his concern about term limits and as vice chair he could balance the meeting and build on current structure with continuity for one more year.

Farrell concurred with Wilson noting that Maddern had positives despite recent negatives and that Maddern had controlled meeting well with less divisiveness and disagreement. Also, that Maddern had a good relationship with other Town boards and committees and the Town manager. He stated that it is worrisome that sometimes Hubbard butts heads with other Town boards and Lombardo which would not translate well at times although Hubbard would do well otherwise. Also, that supporting Maddern as chair could continue amicable relationship with the other Town boards and committees.

In response to Maddern, Jenkins suggested the Board vote on Wilson as vice chair, Maddern as chair and then take any other action, if necessary. Farrell moved to elect Bill Wilson as vice chair of the Board of Selectmen. Jenkins seconded the motion. VOTE: Unanimous. Farrell moved to elect Scott Maddern as chair of the Board of Selectmen. Wilson seconded the motion. Wilson noted that both nominees would do a good job but a balanced approach and continuity were important. VOTE: Unanimous.

Discussion was on responsibility of Board clerk that included reviewing Board minutes for accuracy, signatory duty, and representation of Board if other members are incapacitated. Maddern nominated Jenkins as clerk. Maddern moved to elect Allison Jenkins as clerk for the Board of Selectmen. Wilson seconded the motion. VOTE: Unanimous.

- Audit Presentation – Audit firm Clifton, Larson, Allen will review the FY2015 audit report and findings

Principal Chris Rogers summarized financial statement, internal controls and management letter. The implementation of the new pension standard occurred in 2015 where government has to report net pension liability (\$9.3 million for Town's share of Essex Regional Retirement System).

The auditor has provided an unmodified opinion consistent with prior years and a discussion of implementation of net pension liability. Basis of accounting includes government wide financial statements representing Town's financial position on full accrual basis (i.e., assets and liabilities, \$200,000 in HDC), modified accrual basis which excludes long term liabilities and assets, budget to actual statement.

The full accrual statement describes Town's total net position at the end of the fiscal year as \$9 million. The general fund balance was \$4.5 million at the end of the year (\$146,000 set aside for OPEB, \$700,000 to fund FY'15 budget, \$186,000 encumbrances, \$3.4 million unassigned balance including stabilization fund). The Town is in a good position with 12.3% of unassigned balance for reserves. The Town had an \$800,000 loss which was planned based on expected revenue.

Also mentioned was the \$4.2 million net position for water enterprise that includes accrual of \$498,000 net pension liability and \$121,000 net OPEB liability. The waste enterprise had a surplus of \$54,000 with \$45,000 invested in capital assets and \$9,000 unrestricted. There was \$6,000 net pension liability and net OPEB liability. There was a \$300,000 subsidy from the general fund to the waste enterprise.

Rogers noted relative to the Town's long term obligations of governmental activities of \$18 million: \$6.4 for debt, \$8.8 net pension liability, \$2.3 OPEB obligation. For business obligations (enterprise funds) the long term liability is nearly \$7 million (\$6.1 debt, \$500 net pension liability).

Also regarding the net OPEB obligation this liability is being reported piece meal. An actuarial valuation is performed every two years and annual contribution should be done in a 30 year period. The audit includes what the Town should be funding for OPEB and what is being funded in a pay as you go basis. To date \$2.4 million was recorded of the \$6 million liability. The Town is paying 35% of what it should be if the liability was going to be funded over a 30 year period. This would be \$500,000 a year. In fiscal year 2018, the Town will be recording the full OPEB obligation. Also, \$150,000 has

been set aside for OPEB and the money is not in a fiduciary fund, it is a dedicated employer asset.

Other highlights in the financial statements included that Hamilton's \$9.3 million liability is 2.7% of total liability of Essex Regional Retirement System. This share is calculated on the Town's annual required contribution compared to the total contribution of the system. The pension expense for the year was \$765,000. Investment gains and losses will be recognized over a five year period. The retirement system is funded 52%. The discount rate (investment return) is 8% and if this were lowered to 7%, the Town's liability would change to \$11.5 million.

The ERRS actuary has to project cash flow payments for the benefit period, and if it is determined that there will not be enough cash a collective rate will be determined from projected discount and municipal bond rate. If there is enough cash the discount rate would stay at 8%. ERRS will list its 10-year rate of return starting this year. The funding schedule would not be impacted by cash amount due to reporting standard in financial statement.

Rogers noted that in regard to OPEB money being put in a separate irrevocable trust, he suggested the Town wait six months to see if the state is going to simplify the trust process to save the Town legal costs to establish the trust. Investment alternatives other than the general fund for OPEB money could be for example, equities, and certificates of deposit for under a year. He suggested a good investment policy be written related to investment of OPEB funds. He mentioned that retirement systems have especially good investment policies since money managers assist in the writing of investment policies. All financial statements for retirement systems include investment policies. The OPEB liability in the audit is just for the Town and does not include the HWRSD OPEB liability.

Discussion was on how the FY'16 audit is slated for the first week in August with completion by the first week in September. Rogers mentioned that the audit for the Town went well and Hamilton's participation contributed to the process. Finance Director Brian Connolly is formalizing the financial policies for the Town.

Rogers explained that the audits are not directed by communities and the auditor uses a risk based approach to assess where to focus standards and control testing. A few years ago the Town asked for audit detail associated with the Recreation Department. Rogers noted that 15% to 20% of the communities in which his firm works have audit

committees. While 85% of audits are conducted working directly with Town management.

In response to Hubbard, Rogers explained that the five recommendations in the management letter that were the same for FY'14 have been listed more than twice. These are weaknesses or areas where efficiencies could be improved. He emphasized the importance of the report on internal controls and compliance with regulation. For the Town similar to prior years there were no findings in the internal controls report. Rogers mentioned that recommendations in management letter related to financial policies and procedures as well as risk assessment monitoring which are being addressed but a plan needs to be put in place.

He added that a few of the recommendations in the management letter could be resolved quickly. Connolly said a few are practice/procedures/policy related to tightening up of how work is done (i.e., Chapter 90 funding and when receipts come in from the state). As well as financial policies and procedures and a draft has been sent to the department heads. This will be given to FinCom for review and feedback. Other recommendations related to having a procedures manual for MUNIS and GIS as well as how revenue is accepted in the Recreation Department and coding it for general ledger.

Discussion was on financial controls including FinCom advice and this could be included in the Town manager's goals. The Selectmen would be involved in setting policy that is consistent, enforceable and understandable. Connolly noted that progress is being made with water bill adjustments. Internal controls and responsibilities related to this matter will change so procedure has different oversight relative to user transactions.

- Discuss Annual Town Meeting and feedback

Maddern summarized feedback from Town Moderator on spring Town Meeting who believes the gymnasium is a good venue, acknowledged disputes being handled well and votes counted well. There were complaints about the seats and use of microphones, and a request to go back to the high school auditorium. Discussion points were the transfer of CPA funds to the Affordable Housing Trust, and citizens' petition being postponed where Director of Planning and Inspections assisted the petitioner and Town Counsel will assist Planning Board related to the matter moving forward.

Wilson opined that the moderator did a good job. He suggested the auditorium be used in the future. Also, if the presentation screens could be more visible to the Town officials and audience. He thought debate on motions was good.

Discussion was on if semi-permanent slides should be invested in if Town Meeting would be held again in the gymnasium, and that hard copies of slides should have been provided to Town officials at the Town Meeting. Also, that more people could be trained to use the technical equipment (i.e., light board) in the high school auditorium.

Farrell concurred with Wilson and recommended more publicity could be done and signage for the breakfast prior to Town Meeting. Also that amendments could be determined before Town Meeting rather than introduced on the floor. Maddern concurred about value of bringing amendments up sooner in writing prior to Town Meeting.

Also, that the discussion was good about the potential Longmeadow Way project. There was recommendation to ask the Affordable Housing Trust to schedule a meeting about this project and include Andrew DeFranza from Harborlight Community partners.

Lombardo noted that the Town Meeting is more engaged in the gymnasium and Winthrop School than at the high school auditorium. Some of the Selectmen concurred with this concept versus the dark auditorium (this also reduced shout outs). Better chairs could be used for future meetings if rentals are needed for the venue. Hubbard thanked Town Clerk Andrea Carlson and others who help set up the Town Meeting. He opined that the auditorium should be used and correct the lighting in part due to the cost associated with venues other than the auditorium (i.e., chair rental).

For amendments Hubbard opined that more information should be given up front, and that some cannot be planned for. Also, for citizens' submitting petitions, he suggested complete information on process should be given to them.

Jenkins acknowledged the good job by the Moderator and that the Town Meeting went longer than expected. She suggested that follow-up should be done on the Moderator's recommendation that a policy be written regarding citizens' petition process that could be used by Town employees directing residents. The Selectmen will work with the Moderator on the policy. Jennifer Scuteri is researching policies from other towns.

FinCom member Nick Tensen agreed with the venue and vibrancy of the meeting but was concerned about the cost of renting chairs for the event. FinCom Chair Rick

Sprenkle noted that the microphone stands needed more adjustability. Discussion was on how the HWRSD slides do not match the prescribed guidelines from the Town Moderator for slides. In response to David Wanger, Maddern explained that the Town Moderator does not have rationale on BOS and FinCom warrant article recommendation votes discussed for efficiency in running the Town Meeting.

David Wanger moved to adjourn the Finance and Advisory Committee meeting at 8:45 p.m. Nick Tensen seconded the motion. VOTE: Unanimous.

New Business

- Consideration of topics for discussion at future Selectmen's meetings

Wilson suggested that focus on policies including financial could be a future discussion topic. Town officials will go through personnel policies this summer working with Hamilton's labor counsel. Wilson recommended an employee survey be done to understand what works and what doesn't related to people working for the Town.

Farrell stated that he is looking forward to a brainstorming session where the Board can define future roles for Selectmen. Hubbard concurred about roles and policies as well as how the Board can track suggested topics and when they would be discussed on the agenda. This could be prioritized in a Google document shared amongst the Board. Jenkins inquired if there was a living document listing Board assignments. Maddern explained that this has been done in the past and included prioritization. He suggested that Patrick Reffett, Director of Planning and Inspections, could describe details about Phase I of zoning by-law rewrite and next steps for Phase II at an upcoming Selectmen's meeting.

Maddern entertained a motion to adjourn at 9 p.m. Hubbard so moved. Jenkins seconded the motion. VOTE: Unanimous.

Respectfully submitted by Jane Dooley, Minutes Secretary

ATTEST: _____

Clerk